



State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 22 **Payment Methods**

Issued 01/22/19
Page 1 of 3

INTRODUCTION

Presuming a vendor payment to be made is for a valid public purpose, does not exceed available cash or spending authority, complies with the provision of applicable grant or contract terms and laws, is appropriately supported and documented, and has received the necessary approvals, one of the decisions that then must be made is how payment is to be effected. This simple decision may have serious fiscal consequences for an agency and the State.

This section of SAAM deals with the various payment methods available to State agencies and those factors that should be taken into account when deciding how debts of various kinds should be liquidated.

POLICY & PROCEDURES

1. Agency payments to vendors.

1.1. Whenever practicable, the State-contracted P-Card should be used to make purchases and payments not related to travel.

1.1.1. Policies and procedures related to the use of the P-Card are contained in SAAM Sections 4535, 4536 and 4537.

1.1.2. The use of the P-Card is efficient and economical for the State.

1.1.2.1. Statements from the P-Card vendor provide a reasonable audit trail.

1.1.2.2. One payment to the P-Card vendor eliminates the need and the cost of producing, delivering and accounting for numerous payments to numerous vendors.

1.1.2.3. Making payments using the P-Card results in the P-Card vendor's assuming responsibility for issuing Forms 1099. This saves the State money in preparing, reconciling, reporting upon and mailing these forms to vendors.

1.1.2.4. Use of the P-Card may entitle the agency and the State to not insubstantial rebates related to card usage.

1.2. When the use of the P-Card is impracticable, ACH payments are the preferable method for paying vendors.

State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 22 Payment Methods

Issued 01/22/19
Page 2 of 3

- 1.2.1. ACH payments result in savings for the State. It is less expensive to produce an electronic payment than to print and mail or otherwise deliver a paper warrant.
- 1.2.2. ACH payments are advantageous for payees.
 - 1.2.2.1. ACH payments enter the banking system and may be available for use by the payee on the date cleared, which is generally two (2) business days after the date disbursed.
 - 1.2.2.2. Direct deposit to the payee's account may save the time, inconvenience and cost of physically delivering the remittance to the bank.
- 1.2.3. Agencies should, for the benefit of all involved, endeavor to convert as many of their payments as possible to ACH payments. This effort may involve agencies encouraging vendors that regularly receive payments from the State to authorize payment by ACH.
- 1.3. Travel-related payments made by agencies to vendors should, when practicable, be made using the CTA (see SAAM 5050).

2. Agency payments to other State agencies.

- 2.1. Transfers are the preferred method of effecting payments between State agencies.
 - 2.1.1. Transfers are less expensive for both the payer and the recipient to process.
 - 2.1.2. Transfers result in more quickly accomplishing the exchange of cash than do other means.
- 2.2. An agency may use the P-Card to pay another agency for goods or services.
 - 2.2.1. Whether to accept the P-Card as payment is left to the discretion of the receiving agency, since it is the receiving agency that pays the fees or discounts related to such transactions.
 - 2.2.2. The amount that may be paid from one agency to another by P-Card is limited to the amount generally allowed for a purchase transaction as set forth in SAAM 4535.
- 2.3. An agency should avoid the use of a warrant in paying another agency.

3. Agency payments to its employees in their capacity as employees.

- 3.1. Whenever practicable, employees' compensation and reimbursements should be paid by direct deposit (see SAAM 5520).
- 3.2. When circumstances require, employees' compensation and reimbursements may be credited to a payroll card.

State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 22 **Payment Methods**

Issued 01/22/19
Page 3 of 3

3.3. See SAAM 5511 for those situations in which a payroll handwrite should or must be prepared.

3.4. See SAAM 5052 for those circumstances in which travel advances to employees may be made.

4. Agency payments to other governments.

4.1. Whenever practicable, payments to other governments should be made by wire transfer or ACH.

4.2. Payments to other governments may be made using the P-Card or paper warrants.

5. State employee payments to those providing travel-related goods and services.

5.1. The ETC should be used by employees when practicable; see SAAM 5051.

6. General.

6.1. Handwrites to employees and vendors should be avoided, if possible.